

**PUBLIC UTILITIES COMMISSION**505 VAN NESS AVENUE
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Ratesetting

TO PARTIES OF RECORD IN APPLICATION 22-10-011:

This is the proposed decision of Administrative Law Judge Sophia J. Park. Until and unless the Commission hears the item and votes to approve it, the proposed decision has no legal effect. This item may be heard, at the earliest, at the Commission's April 27, 2023 Business Meeting. To confirm when the item will be heard, please see the Business Meeting agenda, which is posted on the Commission's website 10 days before each Business Meeting.

Parties of record may file comments on the proposed decision as provided in Rule 14.3 of the Commission's Rules of Practice and Procedure.

The Commission may hold a Ratesetting Deliberative Meeting to consider this item in closed session in advance of the Business Meeting at which the item will be heard. In such event, notice of the Ratesetting Deliberative Meeting will appear in the Daily Calendar, which is posted on the Commission's website. If a Ratesetting Deliberative Meeting is scheduled, *ex parte* communications are prohibited pursuant to Rule 8.2(c)(4).

/s/ MICHELLE COOKE

Michelle Cooke

Acting Chief Administrative Law Judge

MLC:jnf
Attachment

Decision **PROPOSED DECISION OF ALJ PARK** (Mailed 3/21/2023)

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of PACIFIC GAS AND ELECTRIC COMPANY to issue, sell, and deliver one or more series or other types of Debt Securities and to guarantee the obligations of others in respect of the issuance of Debt Securities, the total aggregate principal amount of such indebtedness and guarantees not to exceed \$10.5 billion; to execute and deliver one or more indentures; to sell, lease, assign, mortgage, or otherwise dispose of or encumber utility property; to issue, sell and deliver one or more series of preferred stock or depository shares; to utilize various debt enhancement features; and to enter into interest rate hedges. (U39M.)

Application 22-10-011

**DECISION AUTHORIZING PACIFIC GAS AND ELECTRIC COMPANY
TO ISSUE UP TO \$10.5 BILLION IN DEBT SECURITIES**

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**DECISION AUTHORIZING PACIFIC GAS AND ELECTRIC COMPANY
TO ISSUE UP TO \$10.5 BILLION IN DEBT SECURITIES**

Summary

This decision grants Pacific Gas and Electric Company's (PG&E's) request for authorization to: (1) issue, sell and deliver, or otherwise incur various types of debt securities¹ in an aggregate principal amount not to exceed \$10.5 billion with all such issuances to take place at any time from the date of authorization until the aggregate principal amount authorized has been fully utilized, and (2) enter into interest rate hedges as described herein.

In connection with the issuance of the debt securities, this decision also authorizes PG&E to: (a) guarantee the securities and other debt instruments of regulated direct or indirect subsidiaries or regulated affiliates of PG&E or of governmental entities that issue securities on behalf of PG&E; (b) execute and deliver indentures or supplemental indentures and other instruments evidencing or governing the terms of debt securities; and (c) sell, lease, assign, mortgage, or otherwise dispose of or encumber utility property, including but not limited to its accounts receivable, in connection with the issuance and sale of debt securities.

This proceeding is closed.

¹ The term "debt securities" refers to the following: "one or more series of long-term debt securities, such as first and refunding mortgage bonds, debentures, notes, overseas indebtedness, foreign currency denominated securities, medium-term notes, preferred securities, other floating or variable rate debt, accounts receivable financing, credit or loan agreements including term loans, First Preferred Stock; \$100 First Preferred Stock or any combination thereof, as authorized in PG&E's Articles of Incorporation ..., depositary shares representing fractional interests in shares of preferred stock and other evidences of indebtedness." (Application (A.) 22-10-011, at 1-2.)

1. Background

On October 18, 2022, Pacific Gas and Electric Company (PG&E) filed Application (A.) 22-10-011. In the application, PG&E seeks normal course long-term financing authorization, in an aggregate principal amount not to exceed \$10.5 billion, to meet its anticipated financing needs for 2023-2025, to allow it to finance its ongoing capital spending requirements, and to replace maturing debt. The application concerns a request for financing authorization, not a request for recovery of any associated or underlying costs, which would be addressed through future proceedings after PG&E issues debt under the authorization requested herein.

The application appeared on the Commission's Daily Calendar on November 1, 2022. No protests or responses to the application were filed.

A telephonic prehearing conference was held on January 11, 2023.

On January 18, 2023, the Administrative Law Judge (ALJ) issued a ruling requiring additional information from PG&E.

The assigned Commissioner issued a scoping memo and ruling on January 26, 2023, setting forth the issues and schedule for the proceeding.

The proceeding was submitted for the Commission's decision on January 30, 2023, when PG&E filed its response to the ALJ's January 18, 2023 ruling (January 30, 2023 Response).

2. Request

2.1. Overview

In its application, PG&E requests authorization: (1) to issue, sell and deliver, or otherwise incur various types of debt securities in an aggregate principal amount not to exceed \$10.5 billion with all such issuances to take place

at any time from the date of authorization until the aggregate principal amount authorized has been fully utilized, and (2) to enter into interest rate hedges.

In connection with the issuance of the debt securities, PG&E also seeks authorization to: (a) guarantee the securities and other debt instruments of regulated direct or indirect subsidiaries or regulated affiliates of PG&E or of governmental entities that issue securities on behalf of PG&E; (b) execute and deliver indentures or supplemental indentures and other instruments evidencing or governing the terms of debt securities; and (c) sell, lease, assign, mortgage, or otherwise dispose of or encumber utility property, including but not limited to its accounts receivable, in connection with the issuance and sale of debt securities.

The requested long-term financing authorization is based on PG&E's anticipated financing needs for 2023-2025. PG&E proposes to use the proceeds from the issuance of the long-term debt securities authorized pursuant to this application, other than for payment of accrued interest, if any, and after payment or discharge of obligations incurred for expenses incident to such sale and issuance, for the purposes permitted under Public Utilities (Pub. Util.) Code Section 817 including, without limitation, for: (1) the acquisition of property; (2) the construction, completion, extension, or improvement of facilities; (3) the improvement or maintenance of its service; (4) the retirement or refunding of certain previously-issued securities and upon which PG&E paid the fees prescribed by Pub. Util. Code Sections 1904 and 1904.1; and/or (5) the reimbursement to PG&E for certain money it has actually expended from income

or from any money in its treasury for any of the aforementioned purposes except maintenance of service and replacements.²

2.2. Description of Debt Securities

In connection with PG&E's primary request for authorization to issue up to \$10.5 billion in long-term debt, PG&E requests authorization to issue various types of debt instruments, including secured debt securities, unsecured debt securities, overseas indebtedness, medium-term notes, direct loans from financial institutions, accounts receivable financing, floating or variable rate debt, hybrid securities, and preferred stock or depositary shares.³

PG&E states that the principal amount, form, and terms and conditions of each series of debt securities will be determined by PG&E's board of directors or management according to market conditions at the time of sale or issuance. In addition, PG&E states that the debt securities may bear a fixed, floating, or variable rate of interest and may be issued at par or with an original issue discount or premium. Trust preferred securities may have either mandatory or optional redemption features. PG&E may issue debt securities directly or may issue them through a regulated affiliate that will in turn lend or otherwise transfer the proceeds to or for the benefit of PG&E.

PG&E intends to notify the Commission by letter on a semiannual basis after the issuance of any debt securities and include in this letter the information required by General Order (GO) 24-C with respect to such debt securities.⁴

² A.22-10-011, at 16. The funds expended by PG&E were not secured by or obtained from the issuance of stocks or stock certificates or other evidences of interest or ownership, or bonds, notes, or other evidences of PG&E indebtedness. The amounts so reimbursed will become a part of PG&E's general treasury funds.

³ PG&E describes the debt instruments in detail at pages 4-9 of the application.

⁴ A.22-10-011, at 4.

Any secured debt securities would be an encumbrance on PG&E's utility properties under a Trust Indenture. Therefore, PG&E requests authorization under Pub. Util. Code Section 851 to mortgage and encumber utility property.

2.3. Description of Debt Securities Enhancement

PG&E requests authority to include at its discretion one or a combination of the following additional enhancement features in the PG&E or regulated affiliate debt securities: (1) credit enhancements, (2) redemption provisions, (3) put options, (4) sinking funds, (5) tax-exempt financings, and (6) warrants.⁵ PG&E states it will use such enhancement features as appropriate to improve the terms and conditions of the debt securities and to lower PG&E's overall cost of financing for the benefit of customers.⁶

2.4. Description of Interest Rate Caps, Collars, Swaps, and Hedges

PG&E requests authority to enter into various financial instruments for the purpose of managing interest rate risk. According to PG&E, such instruments could take a number of forms, including interest rate cap agreements, interest rate floor agreements, interest rate collar agreements, swaptions, and interest rate swap agreements.⁷

PG&E also requests authority to enter into contracts to manage the risk of increased interest rates associated with planned financings. According to PG&E, such contracts could include hedging future debt issuances using instruments such as Treasury locks, caps, and collar agreements.⁸

⁵ PG&E describes the enhancement features at pages 9-12 of the application.

⁶ A.22-10-011, at 9-10.

⁷ A.22-10-011, at 12.

⁸ A.22-10-011, at 12.

In addition, PG&E requests that its use of such authority not be considered as separate debt for purposes of calculating its remaining financing authorization hereunder, since the use of such interest rate management contracts would not affect the amount of the underlying securities issued.⁹

PG&E also requests the flexibility to enter into other hedging and interest rate swap arrangements not specifically described in its application.¹⁰

PG&E states that it will enter into swap or hedging contracts only when a future financing is required (such as replacement of a maturing issue). PG&E proposes to comply with the following restrictions regarding swap and hedging transactions entered into pursuant to this application:

- (1) PG&E will separately report all interest income and expense (as recorded for ratemaking purposes) arising from all swap and hedging transactions in its regular report to the Commission.
- (2) Swap and hedging transactions will not exceed at any time 20 percent of PG&E's total long-term debt outstanding.
- (3) All costs associated with hedging transactions are subject to review in a utility's next regulatory proceeding addressing its cost of capital.
- (4) If PG&E elects to terminate a swap or hedging transaction before the original maturity or the swap or hedging partner terminates the agreement, all costs associated with the termination hedging transactions will be subject to review in PG&E's next cost of capital proceeding.
- (5) Swap and hedging transactions, and other derivative financial instruments carrying potential counterparty risk which PG&E receives in connection with long-term debt,

⁹ A.22-10-011, at 12-13.

¹⁰ A.22-10-011, at 12.

must have counterparties with investment grade credit ratings.

- (6) PG&E will maintain and make available, within 30 days of request, the following: (a) a report analyzing swap and hedging transactions including all costs associated with the swap and hedge in comparison to a projection of all-in costs without such interest rate risk management transactions; and (b) a complete copy of executed swap and/or hedging agreements and all associated documentation.¹¹

PG&E further states that the terms and conditions of swaps and hedges will be determined by PG&E according to market conditions at the time such transactions are negotiated and that interest rate hedges entered into by a regulated affiliate may be guaranteed by PG&E.

3. Discussion

3.1. Public Utilities Code Requirements for Issuance of Securities

PG&E's request to issue debt securities is subject to Pub. Util. Code Sections 816, 817, and 818. The Commission has broad discretion under Pub. Util. Code Section 816 et seq. to determine if a utility should be authorized to issue debt. Where necessary and appropriate, the Commission may attach conditions to the issuance of debt and stock to protect and promote the public interest.

Pursuant to Pub. Util. Code Section 817, a public utility may only issue and use financing for selected purposes. Those purposes not listed in Pub. Util. Code Section 817 may only be paid with funds from normal utility operations.

Pub. Util. Code Section 818 states that no public utility may issue notes or other evidences of indebtedness payable at periods of more than 12 months

¹¹ A.22-10-011, at 14-15.

unless, in addition to the other requirements of law, it shall first have secured from the Commission an order authorizing the issue, stating the amount thereof, and the purposes to which the issue or the proceeds thereof are to be applied. Pub. Util. Code Section 818 also requires the Commission, in issuing such an order, to find that the money, property, or labor to be procured or paid for with the proceeds of the debt authorized is reasonably required for the purposes specified in the order and, unless expressly permitted in an order authorizing debt, that those purposes are not, in whole or in part, reasonably chargeable to expenses or to income.

As discussed further below in Section 3.2, PG&E has substantiated that its need for issuance of new debt securities is for proper purposes. These purposes are authorized by Pub. Util. Code Section 817, and consistent with Pub. Util. Code Section 818, are not reasonably chargeable to operating expenses or income. Since PG&E's request is in compliance with Pub. Util. Code Section 816 et seq., we grant it authority to issue new debt securities up to the requested amount of \$10.5 billion for the purposes specified in this decision.

3.2. Forecast of Sources and Uses

Applications for authorization to issue debt and other securities are, in part, based on forecasted sources and uses of funds that demonstrate the need for the requested funding.

PG&E forecasts that it will use up to \$10.5 billion of new debt securities over the 2023-2025 period for the following: (1) \$5.2 billion to refinance existing debt maturities, (2) \$4.9 billion for capital expenditure funding, and (3) \$400 million to account for contingencies.¹² As part of its application and in

¹² A.22-10-011, at 3; January 30, 2023 Response, at 1-2.

its January 30, 2023 response, PG&E provided forecasts of its sources and uses covering the three-year period of 2023-2025.¹³ At the time the application was filed, PG&E had approximately \$2.3 billion of financing authority remaining from previous decisions, but expected to require additional authority by the second quarter of 2023.¹⁴

A review of the information provided shows that the forecasted sources and uses for 2023 to 2025 reasonably approximate the amount of new financing being requested, taking into account any remaining financing authority from prior applications.

PG&E's proposed use of the proceeds from the issuance of the debt securities is further described in Section 2.1, above. These proposed uses are consistent with Pub. Util. Code Section 817, subsections (a), (b), (c), (d), (g), and (h).

Given that PG&E has substantiated the need for the issuance of new debt securities and that the proposed uses of the proceeds are for proper purposes, it is reasonable to authorize PG&E to issue up to \$10.5 billion of new debt securities. The new financing will allow PG&E to fund its capital expenditure plans for the three-year period of 2023-2025, and for the other proper purposes described in Section 2.1 of this decision, to the extent authorized by Pub. Util. Code Section 817. PG&E's request is reasonable and supported by the record.

A grant of financing authority to a utility does not obligate the Commission to approve capital projects to be conducted by the utility. This

¹³ A.22-10-011, Schedule III (Confidential); PG&E's January 30, 2023 Response, Schedule I (Confidential). As addressed in Section 8, below, PG&E's request for confidential treatment of these forecasts is granted.

¹⁴ A.22-10-011, at 3 and Schedule VI (Confidential).

financing authority is limited to providing PG&E with the ability to maintain sufficient liquid resources to timely finance its upcoming public utility projects and otherwise use for the purposes authorized by Pub. Util. Code Section 817 for the three-year period of 2023 to 2025. Review of the reasonableness of capital projects occurs as needed through the regulatory process applicable to each capital project. Approval of this financing request does not prejudice any of PG&E's forecasted capital projects for the three-year period of 2023 to 2025.

3.3. Types of Securities to be Issued

PG&E requests authority to issue new debt securities, described in footnote 1 and Section 2 of this decision, that are similar to the types of debt securities previously authorized by the Commission.¹⁵ Authorizing PG&E the option to issue these different types of debt securities gives PG&E flexibility and allows it to lower the cost of money for the benefit of ratepayers. Therefore, we authorize PG&E to issue the specific types of debt securities detailed in footnote 1 and Section 2 of this decision and enumerated in the ordering paragraphs herein.

In connection with the issuance of debt securities, PG&E requests authority to guarantee the debt securities of regulated direct or indirect subsidiaries or regulated affiliates of PG&E or of governmental entities that issue securities on behalf of PG&E.¹⁶ Pursuant to Pub. Util. Code Section 830 and consistent with authorization granted in prior decisions,¹⁷ PG&E is granted authority to issue debt securities to guarantee the debt securities of a regulated

¹⁵ See, e.g., Decision (D.) 20-12-025; D.15-01-030; D.12-04-015.

¹⁶ A.22-10-011, at 2. As used in PG&E's application, "affiliates" and "regulated direct or indirect subsidiaries" do not include Pacific Generation LLC. (A.22-10-011, at 2, fn. 1.)

¹⁷ See, e.g., D.20-12-025, at 30; D.15-01-030, at 13.

subsidiary or regulated affiliate and to guarantee the obligations of governmental entities that issue securities on behalf of PG&E. In doing so, PG&E shall comply with all applicable laws, including Pub. Util. Code Section 701.5.

The Commission also authorizes PG&E to arrange credit agreements or other credit facilities and to deliver an indenture or supplemental indenture in connection with the issuance of debt securities. These activities are reasonably related to the issuance of debt securities and are consistent with D.20-12-025.

In compliance with Pub. Util. Code Section 824, PG&E must maintain records to identify the specific debt securities issued pursuant to this decision and be able to demonstrate that proceeds from such debt securities have been used only for the purposes authorized by this decision and Pub. Util. Code Section 817.

3.4. Encumbrance of Utility Property

PG&E also seeks authority to encumber its utility property, including accounts receivable, in connection with the issuance of debt securities. This request to encumber utility property is subject to Pub. Util. Code Section 851, which provides, in part, that no utility shall encumber any part of its plant, system, or other property necessary or useful in the performance of its duties to the public, or any franchise or permit or right thereunder, without first having secured from the Commission an order authorizing it to do so.

Consistent with D.20-12-025¹⁸ and Pub. Util. Code Section 851, PG&E is authorized to sell, lease, assign, mortgage or otherwise dispose of or encumber its utility property in connection with the issuance and sale of secured debt securities, as specified in the order herein. The Commission recognizes that such

¹⁸ D.20-12-025, at 32 and Ordering Paragraph (OP) 2.

activity in connection with the sale and issuance of debt securities may benefit ratepayers. Secured debt may cost less than unsecured debt, lowering the overall cost of money for the benefit of ratepayers. PG&E's request not to deduct the encumbrance of utility property against amounts authorized in this application to the extent that such encumbrance is undertaken as a credit enhancement is granted.

If a default occurs and title to any of PG&E's assets, property, franchise, permit, or right that is necessary or useful in the performance of PG&E's duties to the public is transferred pursuant to the terms of a secured debt indenture, pledge, or other encumbrance, the assets, property, franchise, permit, or right transferred shall continue to be used to provide utility service to the public until the Commission authorizes otherwise.

Also consistent with D.20-12-025,¹⁹ PG&E is granted authority to pledge or otherwise dispose of or encumber its account receivables in connection with the issuance of debt securities. PG&E's request not to count the encumbrance of PG&E's account receivables against amounts authorized in this application to the extent that such encumbrance is undertaken as a credit enhancement is also granted.

3.5. Securities Enhancements

PG&E requests authorization to include, at its discretion, securities enhancements or to enter into financial instruments to manage interest rate risk as described in Section 2 of this decision. Such securities enhancements and financial instruments are designed to improve the terms and conditions of

¹⁹ D.20-12-025, at 32 and OP 2.

PG&E's new debt securities and lower the overall cost of money for the benefit of the ratepayers.

The Commission has previously granted PG&E similar authority, most recently in D.20-12-025.²⁰ Specifically, in D.20-12-025, the Commission granted PG&E authority to: (1) use similar securities enhancements as requested in the current application; (2) not consider enhancements as separate debt for purposes of calculating its remaining financing authorization; and (3) comply with selected restrictions regarding swap and hedging transactions entered into.

We find PG&E's request for authority to include security enhancement features in its debt securities and to enter into financial instruments to manage interest rate risk, as described in PG&E's application and Section 2 above, to be reasonable for the purpose of improving the terms and conditions of PG&E's debt securities with the overall goal of lowering the cost of money, which in turn benefits ratepayers. Consistent with D.12-06-015, the debt enhancement features shall not be considered as separate debt for purposes of calculating any remaining financing authorization.²¹ In entering into any swap and hedging transactions, PG&E shall comply with the restrictions described in Section 2.4, above, which are also required by D.12-06-015,²² and record the financial instruments used to manage interest rate risk separately from the new debt authorized herein.

PG&E also requests flexibility to enter into other hedging and interest rate swap arrangements not specifically described in its application. Pursuant to the Commission's directive in D.12-06-015, "for each Debt Enhancement Feature

²⁰ D.20-12-025, at 33-34.

²¹ D.12-06-015, OP 1 and Attachment A, Utility Long-Term Debt Financing Rule, 6.b.

²² D.12-06-015, OP 1 and Attachment A, Utility Long-Term Debt Financing Rule, 6.c.

requested in a financing application, the utility shall provide a brief description and rationale for the potential use of a debt enhancement or the risk management properties associated with the potential use of a derivative instrument to hedge risk exposures.”²³ PG&E’s request for authorization to enter into hedging and interest rate swap arrangements not specifically described in the application fails to comply with D.12-06-015. Moreover, the Commission cannot authorize something that has not been identified. PG&E is therefore only authorized to enter into hedging and interest rate swap arrangements specified in its application and in this decision.

4. Reporting and Regulatory Requirements

General Order (GO) 24-C requires public utilities that issue debt or equity to file a semiannual report with the Commission that includes the following information for the applicable semiannual period:

1. A description of the debt and equity issued during the semiannual period, if any, including the principal amount of each issuance, the commissions paid for each issuance, and the net proceeds received for each issuance.
2. The total amount of stock issued and outstanding at the end of the semiannual period, including the total number of shares issued and the par value, if any, of such shares.
3. The total bonds and other debt issued and outstanding at the end of the semiannual period, including the principal amount of such bonds and other debt.
4. The expenditures of debt and equity proceeds during the semiannual period and the purposes for which these expenditures were made. Expenditures must be reported in a way that allows the Commission to ascertain the utility’s compliance with Pub. Util. Code § 817 and the related authorizing decision.

²³ D.12-06-015, OP 1 and Attachment A, Utility Long-Term Debt Financing Rule, 6.a.

In D.12-06-015, as corrected by D.12-07-003, the Commission adopted the Utility Long-Term Debt Financing Rule, which established the following requirements regarding the issuance of new debt securities:²⁴

- Public utilities must issue debt in a prudent manner, consistent with market standards that encompass competition and transparency, with the goal of achieving the lowest long-term cost of capital.
- Public utilities must determine the financing terms of debt issues with due regard for (i) their full financial condition and requirements, and (ii) current and anticipated market conditions.
- Public utilities may choose whether to issue debt securities via competitive or negotiated bid, as long as the basis for the method is chosen to achieve the lowest cost of capital.
- Public utilities with annual operating revenues of \$25 million or more must make every effort to encourage, assist, and recruit Women-, Minority-, and Disabled Veteran-Owned Business Enterprises in being appointed as lead underwriter, book runner, or co-manager of debt securities offerings.
- Public utilities may use debt enhancements, swaps, and hedges for debt securities, subject to certain restrictions and reporting requirements.

PG&E shall comply with all applicable provisions of the Utility Long-Term Debt Financing Rule and GO 24-C. Consistent with D.12-06-015 and GO 24-C, PG&E shall maintain necessary records and provide the Commission with periodic reports regarding the issuance of any debt securities.

5. Fees

Pub. Util. Code Sections 1904(b) and 1904.1 set forth the fees required when the Commission authorizes the issuance of debt and preferred stock,

²⁴ D.12-06-015, OP 1.

respectively. The fees set forth in Sections 1904(b) and 1904.1, however, are not applicable to any issue used to guarantee, take over, refund, discharge, or retire any stock, bond, note, or other evidence of indebtedness on which a fee has previously been paid to the Commission.

PG&E expects to use \$5.2 billion of its \$10.5 billion request for the retirement, refunding, or reissuance of securities previously issued and upon which PG&E has previously paid fees. Therefore, no fee should be charged for this amount of the proposed financing being requested.

If PG&E intends to use any of the \$5.2 billion described above for purposes other than the retirement, refunding, or reissuance of indebtedness previously issued, it shall notify the Commission and pay the corresponding fee before making such use. PG&E shall also identify in its next GO 24-C report after issuance, how it used the \$5.2 billion of new financing authority earmarked to replace existing long-term debt.

Based on the above, the amount of proposed financing that is subject to a fee is \$10.5 billion less \$5.2 billion, which is \$5.3 billion.

Based on the fee calculated in table below, PG&E must remit a fee in the amount of \$2,656,000 to the Commission's Fiscal Office. The authority granted by this decision shall not become effective until PG&E remits the required amount to the Commission's Fiscal Office.

**Computation of §§ 1904(b) and
1904.1 Fees for \$5.3 Billion of Long-Term Debt**

| | |
|--|--------------------|
| Fee on First \$1 Million (\$2 for every \$ 1000) | \$2,000 |
| Fee on \$1 Million-\$10 Million (\$1 for every \$1,000) | \$9,000 |
| Fee on \$10 Million and above (\$0.50 for every \$1,000) | \$2,645,000 |
| Total Fee | \$2,656,000 |

6. Financial Information

PG&E is placed on notice that the reasonableness of any resulting interest rate and cost of money arising from the issuance of debt securities as well as its capital structure are normally subject to review in the appropriate cost of capital proceeding. Therefore, there is no finding in this decision of the reasonableness of the projected capital ratios for ratemaking purposes or the appropriate cost of money. In addition, there is no finding in this decision on the reasonableness of PG&E's proposed construction program. Construction expenditures and the resulting plant balances in rate base are issues that are normally addressed in a general rate case or other specific application. The authority to issue debt securities is distinct from the authority to undertake construction or the right to recover the cost of capital in rates.

7. California Environmental Quality Act

The California Environmental Quality Act (CEQA)²⁵ applies to projects that require discretionary approval from a governmental agency, which may cause a direct physical change in the environment or a reasonably foreseeable indirect physical change in the environment. It is long established that the act of ratemaking by the Commission is exempt from CEQA review. As stated in the California Public Resources Code, the "establishment, modification, structuring, restructuring or approval of rates, tolls, fares, or other charges by public agencies" is exempt from CEQA.²⁶ Likewise, the creation of government funding mechanisms or other government fiscal activities, which do not involve any

²⁵ Public Resources Code § 21000 et seq.

²⁶ Public Resource Code § 21080(b)(8).

commitment to any specific project which may result in a potentially significant impact on the environment is not a “project” subject to CEQA.²⁷

This decision does not authorize any capital expenditures or construction projects. Construction projects which PG&E may finance pursuant to the authority granted by this decision must undergo CEQA review as required by CEQA and CEQA Guidelines.

8. Requests to File Under Seal

Concurrent with the filing of its application on October 18, 2022, PG&E filed, pursuant to Pub. Util. Code Section 583 and Rule 11.4 of the Commission’s Rules of Practice and Procedure,²⁸ a Motion for Authority to File and Maintain Confidential Information (Schedules I, II, III and IX-B of Financial Information) Under Seal.

Concurrent with the filing of its January 30, 2023 Response, PG&E filed, pursuant to Pub. Util. Code Section 583 and Rule 11.4, a Motion for Authority to File and Maintain Confidential Information (Schedules I, III, and IV of Financial Information) Under Seal.

Schedules I, II, III and IX-B of PG&E’s application and Schedules I, III, and IV of PG&E’s January 30, 2023 Response contain forecasts of PG&E’s cash flows, cash requirements, and capitalization ratios over the 2023-2026 period. According to PG&E, these schedules constitute material, non-public forecasts, which are subject to change. PG&E contends that if made public, investors could later argue that they relied on the forecasts and were harmed creating grounds

²⁷ CEQA Guidelines, California Code of Regulations, Title 14, Division 6, Chapter 3, Section 15378(b)(4).

²⁸ Unless otherwise specified, all references to a “Rule” are to the Commission’s Rules of Practice and Procedure.

for a potential lawsuit. PG&E further contends that premature disclosure of future cash requirements and capital expenditures could impact PG&E's bidding strategy with lenders and other potential counterparties, resulting in higher service costs.

PG&E's motions for confidential treatment of Schedules I, II, III and IX-B of PG&E's application and Schedules I, III, and IV of PG&E's January 30, 2023 Response are adequately justified and reasonable, and therefore, are granted.

9. Summary of Public Comment

Rule 1.18 allows any member of the public to submit written comment in any Commission proceeding using the "Public Comment" tab of the online Docket Card for that proceeding on the Commission's website. Rule 1.18(b) requires that relevant written comment submitted in a proceeding be summarized in the final decision issued in that proceeding.

No written public comments were received in this proceeding.

10. Conclusion

PG&E's application for authorization to issue, sell, and deliver up to \$10.5 billion in long-term debt securities, enter into interest rate hedges, and take other actions in connection with the issuance of the debt securities is granted with the following exception: PG&E's request to enter into hedging and interest rate swap arrangements not specifically described in the application is denied.

11. Comments on Proposed Decision

The proposed decision of ALJ Sophia J. Park in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3. Comments were filed on _____, and reply comments were filed on _____ by _____.

12. Assignment of Proceeding

Genevieve Shiroma is the assigned Commissioner and Sophia J. Park is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. The requested debt issuance authority of up to \$10.5 billion in long-term debt securities is necessary to provide the external funding required to meet PG&E's projected cash requirements for 2023 through 2025.
2. PG&E forecasts that it will use up to \$10.5 billion of new debt securities over the 2023-2025 period for the following: (1) \$5.2 billion to refinance existing debt maturities, (2) \$4.9 billion for capital expenditure funding, and (3) \$400 million to account for contingencies.
3. At the time the application was filed, PG&E's remaining long-term debt financing authorization, \$2.3 billion, was projected to be exhausted by the second quarter of 2023.
4. PG&E's request to issue debt securities is subject to Pub. Util. Code Sections 816, 817, and 818.
5. PG&E has substantiated that its need for issuance of new debt securities is for proper purposes, which are authorized by Pub. Util. Code Section 817 and are not reasonably chargeable to operating expenses or income consistent with Pub. Util. Code Section 818.
6. PG&E's request is in compliance with Pub. Util. Code Section 816 et seq.
7. Approval of this financing request does not prejudice any of PG&E's forecasted capital projects for the three-year period of 2023 to 2025.
8. PG&E's request for authority to issue new debt securities is similar to the types of debt securities previously authorized by the Commission.

9. Authorizing PG&E the option to issue the different types of debt securities specified in the application gives PG&E flexibility and allows it to lower the cost of money for the benefit of ratepayers.

10. PG&E's request to guarantee the debt securities of regulated direct or indirect subsidiaries or regulated affiliates of PG&E or of governmental entities that issue securities on behalf of PG&E is consistent with authorization granted in prior Commission decisions.

11. PG&E's request for authorization to arrange credit agreements or other credit facilities and to deliver an indenture or supplemental indenture in connection with the issuance of debt securities is reasonable and consistent with authorization granted in D.20-12-025.

12. PG&E's request to sell, lease, assign, mortgage or otherwise dispose of or encumber its utility property, including accounts receivable, in connection with the issuance of debt securities is subject to Pub. Util. Code Section 851.

13. Secured debt may cost less than unsecured debt lowering the overall cost of money for the benefit of ratepayers.

14. The debt securities enhancements and financial instruments to manage interest rate risk specified in the application are reasonable for the purposes of improving the terms and conditions of PG&E's new debt securities and lowering the overall cost of money for the benefit of ratepayers.

15. Consistent with D.12-06-015, the debt enhancement features authorized in this decision are not considered as separate debt for purposes of calculating any remaining financing authorization.

16. The swap and hedging transactions approved in this decision are subject to the restrictions set forth in D.12-06-015.

17. D.12-06-015 requires a utility requesting a debt enhancement feature in a financing application to provide a brief description and rationale for the potential use of a debt enhancement or the risk management properties associated with the potential use of a derivative instrument to hedge risk exposures.

18. PG&E's request for authorization to enter into hedging and interest rate swap arrangements not specifically described in the application fails to comply with D.12-06-015.

19. PG&E's issuance of new debt securities is subject to the reporting and other regulatory requirements of Commission GO 24-C and the Utility Long-Term Debt Financing Rule.

20. Pub. Util. Code Sections 1904(b) and 1904.1 set forth the fees required when the Commission authorizes the issuance of debt and preferred stock, respectively.

21. PG&E expects to use \$5.2 billion of its \$10.5 billion request for the retirement, refunding, or reissuance of securities previously issued and upon which PG&E has previously paid fees to the Commission.

22. Pursuant to Pub. Util. Code Sections 1904(b) and 1904.1, PG&E is required to remit a fee in the amount of \$2,656,000.

23. Schedules I, II, III and IX-B of PG&E's application and Schedules I, III, and IV of PG&E's January 30, 2023 Response contain non-public forecasts of PG&E's cash flows, cash requirements, and capitalization ratios over the 2023-2026 period that are subject to change due to various risks and uncertainties, and could influence the behavior of potential investors, lenders, and others.

24. PG&E's motions for confidential treatment of Schedules I, II, III and IX-B of PG&E's application and Schedules I, III, and IV of PG&E's January 30, 2023 Response are adequately justified and reasonable.

Conclusions of Law

1. PG&E should be authorized to issue new debt securities of up to \$10.5 billion, all of which are for proper purposes (including construction expenditures, acquisition of property, reimbursement of PG&E's treasury, or for the retirement, refunding, or reissuance of previously issued securities) and consistent with the requirements of Pub. Util. Code Sections 817 and 818, subject to the limitations discussed in Section 10 (Conclusion) of this decision.

2. PG&E should be authorized to issue the different types of debt securities specified in its application.

3. Pursuant to Pub. Util. Code Section 851, PG&E should be authorized to sell, lease, assign, mortgage, or otherwise dispose of or encumber its utility property, including but not limited to accounts receivable, to secure the debt securities authorized herein.

4. PG&E should be authorized to guarantee the securities and other debt instruments of its regulated subsidiaries or regulated affiliates, pursuant to Pub. Util. Code Sections 701.5 and 830, or of governmental entities that issue securities on behalf of PG&E.

5. PG&E should be authorized to arrange credit agreements or other credit facilities and to deliver an indenture or supplemental indenture in connection with the issuance of debt securities authorized herein.

6. PG&E should be authorized to use the debt securities enhancements and financial instruments to manage interest rate risk specified in its application to lower the cost of the debt securities and reduce financial risks.

7. PG&E should be authorized to not consider the debt securities enhancements authorized herein as separate debt for purposes of calculating its

remaining financing authorization hereunder, since the use of such enhancements would not affect the amount of the underlying securities issued.

8. In entering into any swap or hedging transactions pursuant to this decision, PG&E should be required to comply with the restrictions proposed in its application and described in Section 2.4, above, which are also required by D.12-06-015.

9. The amount of \$5.2 billion of the requested financing authority which will be used to refinance existing long-term debt, should be excluded from the computation of the fees required under Pub. Util. Code Sections 1904(b) and 1904.1.

10. PG&E's requested financing authorization does not involve any commitment to any specific project which may result in a potentially significant impact on the environment; thus, it is not a project subject to CEQA.

11. PG&E should not use the proceeds from the debt authorized by this decision to fund its capital projects until PG&E has obtained all required Commission approvals for the projects, including any required environmental review under CEQA.

12. PG&E's motions to file under seal and maintain as confidential Schedules I, II, III and IX-B of PG&E's application and Schedules I, III, and IV of PG&E's January 30, 2023 Response should be granted.

O R D E R

IT IS ORDERED that:

1. Pacific Gas and Electric Company (PG&E) is authorized under Public Utilities Code Sections 816-818, 821, 823, 830, and 851 to issue, sell, and deliver one or more series of new long-term debt securities in an aggregate principal amount not to exceed \$10.5 billion, with all such issuances to take place at any

time from the date of authorization herein until the aggregate principal amount authorized has been fully utilized, for the purposes authorized in Public Utilities Code Section 817 and subject to the limitations herein.

2. Pacific Gas and Electric Company (PG&E) is authorized, in connection with the issuance of debt securities authorized herein, to:

- (a) guarantee the securities and other debt instruments of regulated direct or regulated indirect subsidiaries or regulated affiliates of PG&E pursuant to Public Utilities Code Sections 701.5 and 830 or of governmental entities that issue securities on behalf of PG&E;
- (b) arrange credit agreements or other credit facilities as may be necessary for the purpose of issuing the debt securities;
- (c) execute and deliver one or more indentures or supplemental indentures evidencing or governing the terms of the debt securities; and
- (d) sell, lease, assign, mortgage, or otherwise dispose of or encumber utility property, including but not limited to its accounts receivable, in connection with the issuance and sale of debt securities authorized herein, pursuant to Public Utilities Code Section 851.

3. Pacific Gas and Electric Company (PG&E) is authorized to issue the various types of debt securities described in its application, including first and refunding mortgage bonds, debentures, notes, overseas indebtedness, foreign currency denominated securities, medium-term notes, preferred securities, other floating or variable rate debt, accounts receivable financing, credit or loan agreements including term loans, First Preferred Stock, \$100 First Preferred Stock or any combination thereof, as authorized in PG&E's Articles of Incorporation, depositary shares representing fractional interests in shares of preferred stock, and other evidences of indebtedness.

4. Pacific Gas and Electric Company (PG&E) is authorized to issue hybrid securities with the following terms: (i) restrictive redemption provisions, including, but not limited to, capital replacement provisions, (ii) interest rates which may be fixed, floating, adjustable, deferrable or which may be set by a market auction procedure, (iii) mandatory sinking funds, and (iv) such other provisions as PG&E may deem appropriate in connection with its issuance and sale of hybrid securities.

5. Pacific Gas and Electric Company is authorized to offer, issue, and sell preferred stock or depository shares in one or more offerings with the method of sale, price, dividend rate, liquidation preferences, and other rights, preferences, privileges, and restrictions to be determined prior to each offering in consideration of then prevailing market conditions.

6. Pacific Gas and Electric Company (PG&E) is authorized to issue preferred stock or depository shares with the following terms: (i) restrictive redemption provisions; (ii) dividend rates which may be fixed, floating, adjustable, or which may be set by a market auction procedure; (iii) mandatory sinking funds; and (iv) such other provisions as PG&E may deem appropriate in connection with its issuance and sale of the preferred stock or depository shares.

7. Pacific Gas and Electric Company is authorized to use the debt securities enhancements and financial instruments to manage interest rate risk specified in its application to lower the cost of the debt securities and reduce financial risks.

8. Pacific Gas and Electric Company is authorized to not consider the debt securities enhancements authorized herein as separate debt for purposes of calculating its remaining financing authorization hereunder.

9. Pacific Gas and Electric Company (PG&E) shall comply with the following restrictions regarding swap and hedging transactions entered into pursuant to this decision:

- a. PG&E will separately report all interest income and expense (as recorded for ratemaking purposes) arising from all swap and hedging transactions in its regular report to the Commission.
- b. Swap and hedging transactions will not exceed at any time 20 percent of PG&E's total long-term debt outstanding.
- c. All costs associated with hedging transactions are subject to review in PG&E's next regulatory proceeding addressing its cost of capital.
- d. If PG&E elects to terminate a swap or hedging transaction before the original maturity or the swap or hedging partner terminates the agreement, all costs associated with the termination hedging transactions will be subject to review in PG&E's next cost of capital proceeding.
- e. Swap and hedging transactions, and other derivative financial instruments carrying potential counterparty risk which PG&E receives in connection with long-term debt, must have counterparties with investment grade credit ratings.

10. Pacific Gas and Electric Company must maintain and make available, within 30 days of request, the following:

- a. A report analyzing swap and hedging transactions including all costs associated with the swap and hedge in comparison to a projection of all-in costs without such interest rate risk management transactions.
- b. A complete copy of executed swap and/or hedging agreements and all associated documentation.

11. If a default occurs and title to any of Pacific Gas and Electric Company's (PG&E's) assets, property, franchise, permit, or right that is necessary or useful in the performance of PG&E's duties to the public is transferred pursuant to the

terms of a secured debt indenture, pledge, or other encumbrance, the assets, property, franchise, permit, or right transferred shall continue to be used to provide utility service to the public until the Commission authorizes otherwise.

12. Pacific Gas and Electric Company and the authority granted by this decision are subject to: (a) the Utility Long-Term Debt Financing Rule adopted in Decision (D.) 12-06-015, as corrected in D.12-07-003; (b) General Order 24-C; and (c) the capital structure and associated capital ratios adopted by the Commission.

13. Pacific Gas and Electric Company (PG&E) shall report to the Commission all the information required by General Order 24-C for any instruments issued by PG&E pursuant to this decision on a semiannual basis or on a monthly basis if requested by Commission Staff.

14. The decision herein is not a finding of the reasonableness of Pacific Gas and Electric Company's proposed construction plan or expenditures, the resulting plant balances in rate base, the capital structure, or the cost of money, nor does it indicate approval of matters subject to review in a general rate case or other proceedings.

15. Pacific Gas and Electric Company (PG&E) shall remit the payment of \$2,656,000 to the Commission, as required by Public Utilities Code Sections 1904(b) and 1904.1. Such payment shall be by wire transfer, check, or money order payable to the California Public Utilities Commission and mailed or delivered within 30 days after the effective date of this decision to the Commission's Fiscal Office at 505 Van Ness Avenue, Room 3000, San Francisco, California 94102 or by wire transfer as directed by Commission staff. The decision number of this decision must prominently appear with the submission of the payment. To the extent Rule 1.16 of the Commission's Rules of Practice and Procedure only permits payment by check, money order, or credit card,

deviation from Rule 1.16 is granted for purposes of this decision to also permit payment by wire transfer. The authority granted by this decision shall become effective when the fee required by Sections 1904(b) and 1904.1 has been paid.

16. If Pacific Gas and Electric Company (PG&E) intends to use any of the \$5.2 billion earmarked to replace existing long-term debt for purposes other than the retirement, refunding, or reissuance of indebtedness previously issued, it shall notify the Commission and pay the corresponding fee before making such use. PG&E shall also identify in its next General Order 24-C report after issuance, how it used the \$5.2 billion of new financing authority earmarked to replace existing long-term debt.

17. Pacific Gas and Electric Company (PG&E) may not use the proceeds from the debt authorized by this decision to fund its capital projects until PG&E has also obtained all required Commission approvals for the projects, including any required environmental review under the California Environmental Quality Act.

18. Pacific Gas and Electric Company's (PG&E's) Motion for Authority to File and Maintain Confidential Information (Schedules I, II, III and IX-B of Financial Information) Under Seal, filed on October 18, 2022, and PG&E's Motion for Authority to File and Maintain Confidential Information (Schedules I, III, and IV of Financial Information) Under Seal, filed on January 23, 2023, are granted for a period of three years from the effective date of this decision. If PG&E believes that it is necessary for this information to remain under seal for longer than three years, PG&E may file a new motion stating the justification for further withholding of the information from public inspection. This motion shall be filed at least 30 days before the expiration of the confidentiality period established in today's order.

19. Application 22-10-011 is closed.

This order is effective today.

Dated _____, at San Francisco, California.